

Virginia Individual Development Accounts Program

Program Design

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Department of Housing and
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In conjunction with the Virginia Department of Social Services

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Program Overview

The Virginia Individual Development Account (VIDA) program is administered by the Virginia Department of Housing and Community Development (DHCD) in partnership with the Virginia Department of Social Services (DSS). The program is designed to encourage savings and improve personal financial planning to help low-income individuals build productive assets and self-sufficiency. Individual development accounts (IDAs) provide matching funds for individuals saving into a designated account for a specific purpose, such as home ownership, education, or business start-up. Matching funds are provided to encourage saving and to help individuals build assets more quickly.

VIDA uses Maintenance of Effort funds, the state's match in TANF funding from the Virginia Department of Social Services (DSS). This funding provides match up to a 2:1 ratio (for every one dollar the participant saves, it will be matched with two dollars). The state match cannot exceed \$4,000 per family unit. During the '05-'06 biennium, there is funding for up to 160 savings accounts. These accounts are available on a first come, first serve basis.

DHCD works through local service providers (intermediaries) who recruit, support, and train the savers. When a candidate is enrolled in the program, they become an enrolled saver. At that time a savings account is opened for them by DHCD and held at a designated financial institution. All enrolled savers receive financial management training that includes such topics as improving credit, setting up a budget and savings schedule, and the basics of money management. In addition, enrolled savers must attend training that is specific to the asset for which they are saving (e.g., how to start a small business; buying and maintaining a home).

VIDA is designed to complement existing programs that are being used by organizations whose mission is to assist low-income individuals working towards self-sufficiency. An intermediary would make use of VIDA in conjunction with current counseling and training efforts.

Intermediary Responsibilities

The VIDA program is administered at the local level through intermediaries that work with enrolled savers towards attaining economic self-sufficiency. The VIDA program is intended to supplement and work in tandem with other services provided by the selected VIDA intermediaries to offer a comprehensive strategy for low-income families to achieve self-sufficiency.

Each VIDA intermediary is responsible for the following:

- Recruit candidates and review their applications before sending applications to DHCD for final approval for enrollment into the VIDA program.
- Develop a savings goal and action plan with each enrolled saver. The plan must identify:
 - a) a monthly savings amount of at least \$25 of earned income every calendar month. Qualified sources of savings are defined under Enrolled Saver Responsibilities.
 - b) the savings goal. See 'Eligible Uses of Funds' as listed below.
 - c) an action plan that outlines the activities necessary to prepare the saver to reach the identified goal. This would include required training, credit repair, etc.
- Provide training or partner with an organization that can provide training in basic financial management including topics such as *personal financial management training, budgeting and credit repair, loans and grant resource development, and personal financial planning (i.e. savings and investments, insurance, wills, and tax planning)*.
- Provide training or partner with an organization that can provide training specific to the identified asset that the saver is working towards.
- Provide enrolled savers services and/or technical assistance targeted to their particular savings goal, such as housing counseling, or career counseling or microenterprise services, to develop asset management skills.
- Maintain files that include documentation of income eligibility, savings goal, action plan, financial information, records of training attendance, progress and follow-up reports on the use of the funds.
- Provide a monthly report on training and technical assistance activity and any other pertinent program activity to DHCD.
- Work with enrolled savers to implement the action plan, including budgeting to save the needed funds.
- Work with enrolled savers to obtain the identified asset. Intermediaries will assist the enrolled saver in requesting funds from DHCD to secure the asset.
- In the case of a request for an emergency withdrawal of funds for a purpose other than the identified asset purchase, work with the enrolled saver to find alternative means of addressing the emergency. If no alternative means exist, the intermediary will assist the enrolled saver in requesting an emergency withdrawal of the saver's funds from the savings account. In the case of an

emergency withdrawal, the enrolled saver may access only the funds which they have deposited into the account. No match funds will be available.

DHCD Responsibilities

The VIDA program is a partnership between local intermediaries and DHCD designed to encourage savings and improve personal financial planning to help low-income individuals build productive assets and self-sufficiency. In this partnership, DHCD will have the following responsibilities:

- Open VIDA accounts on behalf of the enrolled savers.
- Provide match funds for enrolled saver accounts in a ratio of \$2 for every \$1 saved by the enrolled saver toward the purchase of a qualified asset. The saver will have two years from the date the VIDA account is opened to save for and purchase their asset.
- Review applications for intermediary acceptance into the program and provide necessary guidance on VIDA program implementation to accepted intermediaries.
- Review candidate applications for participation in the VIDA program.
- Monitor enrolled saver's monthly account activity and provide monthly reports to intermediaries on the progress of their enrolled savers. Advise intermediaries of any saver that has not made a deposit within the prior two months. If a saver fails to make a minimum \$25 deposit for three consecutive months, that saver will be terminated from the VIDA program.
- Approve withdrawal requests for a qualified asset purchase and process emergency withdrawal requests to access the enrolled saver's deposited funds.

Eligible Uses of Funds

Home Ownership

State matching funds and personal savings for home ownership IDAs must be used as downpayment assistance or to cover closing costs when purchasing a home. The purchaser must be a first-time homebuyer and attend both financial management training and home ownership training. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual.

Postsecondary Education

State matching funds and personal savings for postsecondary education and training may be used for tuition costs and/ or the costs of books and resources required for a course provided by community colleges, universities, apprenticeship programs, or licensed proprietary schools. For this savings goal, individuals must participate in financial management training and identify a career goal and plan to reach that goal. Training

must be directly linked to that goal. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual.

Microenterprise/Small Business

State matching funds and personal savings for microenterprise may be used for investment in a business or self-employment venture for a participant. For example, a microenterprise IDA can be used to capitalize a business and may be used in combination with other sources, including loan funds. For this savings goal, a participant is required to attend financial management training and provide a business plan and/or participate in relevant small-business training programs to ensure success. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual. VIDA state matching funds cannot be used for working capital.

Program Funds

Match Funds

Enrolled savers are limited to a maximum of \$4,000 match from DHCD VIDA funds. Intermediaries may supply additional in-kind match from other sources. However, these dollars cannot be counted as savings to obtain state match funds.

Match funds will be paid to the legal entity (or vendor) that provides the eligible asset identified in the savings plan. Match funds will not be paid directly to the saver.

Match funds will be forfeited if an account is closed at the discretion of the enrolled saver prior to the completion of the IDA program; for failure, without good cause, to meet the minimum savings amount; or not fulfilling workshop training requirements.

Based on the actual amount saved by enrolled savers, match funds will be set aside in an escrow fund by DHCD quarterly in a 2:1 ratio, providing that all program requirements have been met by both the saver and the intermediary.

Administration Funds

VIDA Intermediaries will receive administration funds up to \$50 per open, active account per calendar month, not to exceed a total of \$600 per saver. Administration costs include those costs associated with the management of the program including costs such as training, technical assistance, development and implementation of a financial literacy course, and the production of marketing materials for VIDA. Draw request procedures will be discussed in detail in the Program Administration manual.

Candidate Eligibility

Participation in the VIDA program is limited to TANF-eligible families with at least one child under the age of 18 and with incomes at the time of enrollment not more than 200 percent of the official federal poverty level. Only one member of a TANF-eligible family unit is eligible to participate in the VIDA Program. Welfare payments, Supplemental Security Income (SSI), Social Security Disability Income (SSDI) payments, state or federal training program stipends and Unemployment Compensation are **not** considered **income** in the determination of participant eligibility. Salary and wage statements and W-2 forms of the participant are adequate documentation of income eligibility.

To summarize, candidates:

- Must be U.S. citizens or legal aliens
- Must meet income eligibility requirements
- Must be employed
- A child (or children) under the age of 18 must reside within the household with the parent or guardian

Federal Poverty Limits

Individuals seeking to participate in VIDA must have household incomes at the time of enrollment below the annual or monthly amounts listed in this chart based on household size. These amounts represent 200 percent of the federal poverty limit. Current as of 2/25/2005

Family Size	Maximum household income allowed annually	Maximum household income allowed monthly
2	25,660	2,138
3	32,180	2,682
4	38,700	3,225
5	45,220	3,768
6	51,740	4,312
7	58,260	4,855
8	64,780	5,398
Each additional person.	6,520	543

Candidate Profile

Participation in the program will be on a first come, first serve basis. All eligible individuals are encouraged to participate in the VIDA program. However, listed below are characteristics candidates who have successfully taken advantage of the program and maximized this opportunity.

Candidates who:

- have established long-term goals for themselves and their children
- have a strong desire to purchase a home, start a small business, or attend school

- have stable employment
- have a credit history acceptable to most lenders OR have the desire and ability to address credit issues in a timely manner
- have the ability to consistently make a deposit of \$25.00 or more per month from earned income into a savings account
- have a desire to improve their money-related knowledge and skills
- are able to attend and complete financial literacy and asset-specific training

DHCD will review each candidate application and candidate verification form submitted by the intermediary to determine final acceptance into the VIDA Program.

Enrolled Saver Responsibilities

Each saver enrolled in the program is expected to do the following:

- Identify an approved asset.
- Apply for a custodial account through DHCD that will be held at a designated financial institution. The saver will have two years from the date the VIDA account is opened to save for and purchase their asset.
- Save a minimum of \$25 per month to be matched by state dollars at a 2:1 ratio not to exceed \$4,000. All savings must be earned income. Earned income includes wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered. Savers may also use the Earned Income Tax Credit for savings. Intermediaries will be notified of any enrolled saver that has failed to make the minimum deposit for two consecutive months. If an enrolled saver fails to make the minimum monthly deposit for three consecutive months, that saver will no longer be permitted to participate in the VIDA program.
- Currently, Wachovia Bank is the sole financial partner for the VIDA program. All savers accounts will be hosted at Wachovia bank. Wachovia has agreed to waive their standard minimum balance requirements and all account fees for a period of one year from the date the account is opened. At the end of one year, a saver will be expected to maintain a \$300 minimum balance in order to avoid monthly fees. If the savers account falls below this minimum balance after one year, the saver will be subject to the standard service fees.
- Attend required training as outlined below. The intermediary should provide the required training or partner with an organization that can provide the required training.
- Participate in structured sessions for counseling or technical assistance tailored to the saver's identified savings goal.

Training Requirements

Basic Personal Financial Management Training. Every enrolled saver is required to attend financial management training. The intermediary should provide the required training or partner with an organization that can provide the required training. This training should consist of at least 8 hours of education and address at least the following topics:

- Household budgeting
- Goal setting
- Financial institution services
- Saving and interest
- Credit repair and debt management
- Asset planning

Asset Specific Training. Every enrolled saver is also required to complete training specific to the asset which they seek to acquire. Training requirements for VIDA qualified asset goals are described below.

- **Home Ownership.** An enrolled saver planning to purchase a home should receive at least 6 hours of home ownership training to include such topics as: qualifying for a mortgage, affordable housing opportunities, finding and selecting a home, mortgage financing options, loan closing, and post purchase success.
- **Postsecondary Education.** An enrolled saver planning to pursue a postsecondary education should receive at least 4 hours of career counseling or training to include such topics as: skills and interests, labor market needs, career planning, etc.
- **Microenterprise/ Small Business.** An enrolled saver planning to start a small business should receive at least 8 hours of business development training that leads to the creation of a business plan. Topics should include: legal structure selection, estimated start-up costs, market research, marketing, insurance needs, financial projections, taxation, etc.